



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 25, 2008

Water Infrastructure Financing Act

*As ordered reported by the Senate Committee on Environment and Public Works
on September 17, 2008*

SUMMARY

This bill would authorize the appropriation of \$33 billion for the Environmental Protection Agency (EPA) to provide grants to states and nonprofit organizations to support a wide range of water quality projects and programs. CBO estimates that implementing this legislation would cost about \$19 billion over the next five years and an additional \$14 billion after 2013, assuming appropriation of the authorized amounts.

The Joint Committee on Taxation (JCT) estimates that enacting the bill would reduce revenues by \$1.3 billion over the next 10 years. Enacting the bill would not affect direct spending.

This legislation contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of this legislation is summarized in Table 1. The costs of this legislation fall within budget function 300 (natural resources and environment).

TABLE 1. ESTIMATED BUDGETARY EFFECTS OF THE WATER INFRASTRUCTURE FINANCING ACT

	By Fiscal Year, in Millions of Dollars										2009-	2009-
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013	2018
CHANGES IN SPENDING SUBJECT TO APPROPRIATION												
Authorization Level	5,994	6,337	8,198	12,730	81	0	0	0	0	0	33,340	33,340
Estimated Outlays	564	1,977	3,746	5,597	6,912	6,098	3,681	1,740	829	370	18,796	31,514
CHANGES IN REVENUES												
Estimated Revenues ^a	*	-4	-15	-42	-87	-147	-209	-253	-278	-289	-148	-1,324

NOTE: * = revenue of less than \$500,000.

a. Estimate provided by the Joint Committee on Taxation.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted near the beginning of 2009, that the full amounts authorized will be appropriated for each year, and that outlays will follow the historical patterns of spending for existing and similar programs. Components of the estimated costs are described below.

Spending Subject to Appropriation

This legislation would authorize appropriations totaling about \$33 billion over the next five years for EPA's water infrastructure and grant programs. Amounts authorized to be appropriated for individual programs are shown in Table 2.

The bill would authorize the appropriation of nearly \$30 billion over the 2009-2012 period for EPA to provide capitalization grants for the State Revolving Fund (SRF) program (about \$16 billion for the clean water SRF program and about \$13 billion for the safe drinking water SRF program). In 2008, the combined appropriation for these SRF programs was about \$1.5 billion. States would use such grants along with their own funds to make low-interest loans to communities for wastewater treatment and drinking water facilities. Indian tribes would use such grants to construct wastewater treatment facilities and to fund projects that would improve the quality of drinking water. This bill would make several revisions to those grant programs, including expanding the types of projects eligible for assistance, changing the formulas used to allocate grant money among the states and tribes, and extending the repayment terms for loans made by states.

TABLE 2. AMOUNTS AUTHORIZED TO BE APPROPRIATED FOR EPA PROGRAMS UNDER THE WATER INFRASTRUCTURE FINANCING ACT

	By Fiscal Year, in Millions of Dollars					2009-2013
	2009	2010	2011	2012	2013	
Clean Water SRF Grants	3,136	3,528	3,920	5,880	0	16,464
Safe Drinking Water SRF Grants	1,960	1,960	3,430	5,880	0	13,230
Sewer Overflow Grants	368	368	368	490	0	1,594
Critical Drinking Water Infrastructure Grant Program	294	294	294	294	0	1,176
Critical Water Infrastructure Grant Program	49	49	49	49	0	196
Grants for Lead Service Line Replacement in the District of Columbia	29	29	29	29	0	116
Technical Assistance for Nonprofits	42	42	42	42	42	210
EPA Safe Drinking Water Implementation Plan	7	7	7	7	0	28
Technical Assistance for Small and Medium Treatment Works	39	39	39	39	39	195
Agricultural Pollution Control Technology Grant Program	49	0	0	0	0	49
Grants For Water Quality Enhancement and Management	20	20	20	20	0	80
National Academy of Sciences Studies	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
Total Authorization Level	5,994	6,337	8,198	12,730	81	33,340

NOTE: SRF = state revolving fund; EPA = Environmental Protection Agency.

This legislation also would authorize the appropriation of about \$1.6 billion over the 2009-2012 period for EPA to make grants to states to remedy sewage overflows (that is, the discharge of untreated wastewater into waterways). This bill also would authorize the appropriation of about \$1.2 billion for the Critical Drinking Water Infrastructure Grant Program and about \$200 million for the Critical Water Infrastructure Grant Program over the

same period. These grant programs would allow EPA to make grants to small public water systems to address the cost of complying with drinking water regulations and to make grants to entities to carry out projects related to watershed restoration.

All of the remaining authorizations in the bill would total about \$680 million over the next five years. That funding would be used for various other purposes, including a grant program to assist small and medium treatment works in a broad range of approaches to wastewater and stormwater management, grant programs aimed at promoting innovations in technology and alternative approaches to water quality management, and a grant program to address the replacement of lead drinking water service lines in the District of Columbia.

Revenues

This bill would authorize the appropriation of funds for EPA's clean water SRF and the safe drinking water SRF programs, as well as appropriations for the agricultural pollution control technology grant program. The JCT expects that some of those funds would be used by states to leverage additional funds by issuing tax-exempt bonds. The JCT estimates that the consequent reductions in revenue from issuing additional tax-exempt bonds would total about \$1.3 billion over the next 10 years.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

This legislation contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. The bill would benefit state, local, and tribal governments by authorizing grants for water and sewer projects.

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